STATEMENT

of

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In Support of America's Jones Act Fleet

Before The

COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE
UNITED STATES SENATE

Hearing On

S.2390 A Bill to Allow Foreign-Built,
Foreign-Owned Ships Into
U.S. Domestic Commerce

WASHINGTON, D.C.
September 15, 1998

Summary

S.2390 Is Unnecessary * And If Enacted It Would Bring Untold And Irreparable Harm To The Domestic Marine Transportation System In The United States.

The Jones Act works * this is demonstrated by the over a billion tons of cargo moving annually in domestic trade; by the domestic industry's long history of providing innovative solutions to the shipping needs of American business; and by the continuing addition of new and more modern vessels to our growing fleets.

Private investment is the key to future growth * and there is no better way to stifle such investment than through bills such as S.2390. The U.S.-build requirement ensures a level playing field for private investment in American-built ships and guards against the economic dislocation that would occur in the industry if foreign-built ships were to be allowed to enter U.S. domestic commerce.

There is no need for a legislative solution to the kinds of marine transportation challenges presented by S.2390's backers; what are needed are business solutions to what in essence are problems of individual businesses * the same kinds of solutions as the Jones Act fleet has provided its customers for the last 200 years.

S.2390 Is Not The Narrow Compromise Depicted By Its Proponents

Allows foreign-built, foreign-owned ships open access to over 90 percent of covered trades, destroying billions of dollars invested by American companies in American ships for those trades, along with any incentive for future investment.

Eliminates the U.S. ownership requirement that is essential to determining who will hold economic control over this vital segment of the domestic transportation system in the United States * American citizens or foreign shipowners?

Undermines important national interests secured by the Jones Act, including maintaining a level economic playing field in the domestic trades * everyone operates under the same rules * and helping to maintain the shipbuilding and repair industrial base in the United States that is essential U.S. national and economic security.

No Turning Back

As a result of the level economic playing field guaranteed by the Jones Act, the United States has developed a highly-competitive, economically efficient domestic marine transportation system that is unmatched in the world. Once the dismantling of the domestic marine infrastructure and industry in the United States envisioned by S.2390 begins, neither the Congress nor the American people will ever be able to put it together again. It will be gone, and gone forever.

TESTIMONY

Mr. Chairman and Members of the Committee:

Good afternoon. I am Jim Barker, Vice Chairman of Mormac Marine Group, Inc., which includes three companies operating ships in Jones Act trades * Interlake Steamship Company on the Great Lakes, Moran Transportation Company in the coastwise trades, and Mormac itself in the tanker trades. I am pleased to appear before the Committee today on behalf of the Maritime Cabotage Task Force, to stress the importance of the domestic (Jones Act) fleet in the movement of American goods to market and our strong opposition to the efforts of Senator Brownback and others to eliminate the U.S. build and the U.S. citizen ownership provisions of the Jones Act in S.2390 or similar legislation.

Interlake, Moran and Mormac are proud of the role our companies and industry have played in the growth of the American economy and look forward to continuing to provide safe, reliable and efficient transportation to American shippers as we prepare to enter the 21st Century. Since 1965, the U.S. domestic fleet has more than doubled in size and tripled in productivity * achievements made possible only because of the level playing field guaranteed by the Jones Act. Nothing this Committee could do would more rapidly and effectively strangle the private investment in ships and innovative technologies needed to sustain that growth into the next century than were it to adopt legislation such as that which is the subject of today's hearing.

The growth and improved productivity that have characterized the U.S. domestic fleet over the last 30 years are emblematic of the partnership between U.S. domestic ship operators, maritime labor, American shipyards, and the shippers we serve. It is that partnership that has given the United States the world's finest domestic marine transportation industry. For the American shipper, this means ready access to the most efficient, reliable, and safest marine transportation in the world, tailored to serve his shipping needs in the most cost effective manner possible. The U.S. maritime industry is committed to the future success of its ongoing partnerships with American agriculture and American shippers throughout the economy and to ever more productive relationships in the future.

Today, I would like to leave the Committee with three points that pretty well summarize why bills like S.2390 are not only unnecessary, but would in fact bring untold and irreparable harm to the domestic marine transportation system in the United States:

The Jones Act works * this is demonstrated by the over a billion tons of cargo moving annually in domestic trade; by domestic industry's long history of providing innovative solutions to the shipping needs of American business; and by the continuing addition of new and more modern vessels to our growing fleets.

- Private investment is the key to future growth * and there is no better way to stifle such investment than through bills such as S.2390 that would undermine the level playing field necessary to sustain that investment in the future. The U.S.-build requirement ensures a level playing field for private investment in American-built ships and guards against the economic dislocation that would occur in the industry if foreign-built ships were to be allowed to enter U.S. domestic commerce.
- The anecdotal evidence circulated over the last few years by proponents of bills like S.2390 shows no compelling need for seeking a legislative solution to the kinds of marine transportation challenges presented; what are needed are business solutions to what in essence are problems of individual businesses * the same kinds of solutions as the Jones Act fleet has provided its customers for the last 200 years.

I also will address in some greater detail the full basis for our opposition to S.2390 in particular and concerns with the way in which it has been presented to this Committee. In maritime language, it is sailing under false colors and it is important that the Committee understand exactly why this is so.

Last, but not least, there is one overriding thought that I want to leave with you today. Should the Committee, for whatever reason, start down the course of action being urged on it by proponents of S.2390, there will be no turning back. Once the dismantling of the domestic marine infrastructure and industry in the United States begins, neither the Congress nor the American people will ever be able to put it together again. The ability of the United States to build and operate a commercial merchant marine consistent with its standing as a world economic power and its only military superpower will be gone, and gone forever.

I. INTRODUCTION

Mormac Marine Group includes three companies operating in Jones Act trades * Interlake Steamship Company in the Great Lakes, Moran Transportation Company and Mormac itself. Interlake is among the four largest vessel operating companies on the Lakes. Our nine vessels include three 1,000-foot long, self unloading bulk carriers and we are proud that Interlake was among the first companies introducing these revolutionary vessels into the Lakes trade. Today we are one of only two operators of three that class ship on the Great Lakes.

Moran Transportation Company, on the other hand, owns and operates 53 towing vessels as well as a number of coastal and offshore barges, primarily in the coastal or coastwise trades or within U.S. ports. Mormac operates three oceangoing tankers. Together these companies provide a broad perspective into the Jones Act industry.

II. THE JONES ACT WORKS

Nothing better demonstrates the success of the Jones Act in meeting the domestic

shipping needs of the U.S. economy than the over a billion tons of cargo moving annually in domestic trade; the long history of the domestic industry in providing innovative solutions to meeting the shipping needs of American business; and the continuing addition of new and more modern vessels to our growing fleets.

A. Record Tonnages in the Great Lakes Trades

Last Spring, the Washington Post reported the results of a study conducted by two Harvard researchers for the World Bank on the factors that create the income gap between rich and poor nations. What the new study found was that just two factors could explain more than half the difference whether a region is outside the tropics (which describes all of the United States) and whether it has easy access to a seaport (which the study defined as being within 100 kilometers of an ocean coast).[1] For America's agricultural and mineral-wealth producing heartland, most of which is 1,000-2,000 kilometers from the nearest saltwater port, America's domestic fleet provides a vital link to customers and industrial users in the coastal belts and access to world markets.

The Great Lakes trades in which Interlake operates are one of the maritime superhighways on which the raw materials and products of America's heartland flow to industries in the Midwest and East and to U.S. ports for export. When the cement-carrying barge MEDUSA CONQUEST arrived at her winter lay-up berth in Chicago on January 25th it capped the most successful navigation season on the Great Lakes since the boom economy of the 1970's. Totals for cargo movement in U.S.-flag Lakers show the 66 vessels that saw service during the 1997 shipping season moved more than 125 million tons of dry and liquid bulk cargoes. That total represents an 8 million ton increase over 1996 and easily qualifies as a new post-recession peak for the U.S. Great Lakes fleets.[2]

In addition to total cargo movement, several individual U.S.-flag and Great Lakes records were established in 1997:

Bethlehem Steel's 1,000-foot BURNS HARBOR upped the record iron ore cargo in the Head-of-the-Lakes trade to 72,300 net tons. That one cargo represents enough iron ore to feed the steelmaker's blast furnaces for 4.5 days.

Oglebay Norton's 1,000-foot COLUMBIA STAR pushed the record coal cargo for the long haul trades to 70,903 net tons on July 6.

American Steamship's 770-foot ST. CLAIR delivered the largest coal cargo to a Canadian Great Lakes port west of the Welland Canal when she carried 45,411 tons to Nanticoke.

USS Great Lakes Fleet's PHILIP R. CLARKE set a new benchmark for the U.S.-flag salt trade when she delivered 27,621 tons to Buffalo in late April.

In May, Interlake's ELTON HOYT 2ND became the longest vessel (698 feet) to ever navigate the entire Federal channel in Cleveland's twisting Cuyahoga River.[3]

[1] Washington Post, *Tropical and Landlocked Make a Poor Combination* (April 23, 1998) at C1.
[2] The Detroit Marine Historian, Vol. 51, No. 7 (March 1998)
[3] *Id.*

Iron ore cargoes in U.S. bottoms totaled 63.4 million tons, the highest level since 1981, the last pre-recession season on the Great Lakes. Loadings of western coal totaled 13.9 million tons, the highest level since that trade was initiated in 1976. Eastern coal cargoes in U.S. bottoms neared 9.5 million tons, an increase of 17.9 percent over 1996. The 29.8 million tons of limestone and gypsum loaded in U.S.-flag lakers during the 1997 season easily constitute a new post-recession record and possibly represent an all-time high for U.S.-flag participation in that trade. Only two commodities decreased in 1997. Salt loadings in U.S. bottoms slipped to 1 million tons but that was only because a major salt producer did not resume shipping until June. The movement of liquid bulk products in U.S.-flag tankers and integrated tug/barges decreased 10 percent to 2.5 million tons. [4]

Significantly, loadings this year are already running ahead of last year's record rates. Total U.S.-flag cargoes through July are up 5.6 percent over the benchmark 1997 season.

B. History of Innovative Solutions to Shipping Needs

The U.S.-flag Jones Act fleet has a long history of innovation in ship design, shipboard technology, and marine transportation systems, all for the sole purpose of better serving the shipping needs of our customers. From containerization to integrated or articulated tug-barge sets, from trailer barges to double-skinned tank barges, every major innovation in marine transportation of the last 50 years has originated with companies operating ships under the Jones Act.

The introduction of the 1,000-foot long self-unloading vessel to the Great Lakes bulk trades beginning in the 1970's revolutionized those trades to much the same extent as has the containership in the non-bulk dry cargo trades, domestic and foreign. In terms of its ability to deliver goods for customers in a sailing season, the largest Great Lakes bulk freighter of today, such as Interlake's 1,013.5 ft. M/V PAUL R. TREGURTHA (69,000 dwt) provides the same single season carrying capacity as 7 of the largest ships from the 1920s.

Even compared to the largest ships on the Lakes in 1965 (such as the Inland Steel vessel S/S EDWARD L. RYERSON -- built in 1960, 27,000 dwt), the modern 1,000 footer provides the same seasonal lift capability as four of the 1960s era ships. Compared to a vessel of average size in the 1965 Lakes fleet (9,953 dwt), the 1,000 footer offers the same delivery capability as 9 of the earlier ships. These gains reflect increased vessel size, speed, self-unloading, and improved vessel design and construction that allow a lengthened sailing season (342 days compared to 226).

Self-unloading alone allows a 1,000 footer like the TREGURTHA to completely discharge its cargo in approximately 10 hours, compared to roughly 18 hours for a straight-deck vessel like the RYERSON despite the fact that TREGURTHA carries 2.6

[4] *Id.*

times more cargo. In a 49-voyage season (like TREGURTHA's most recent), that savings alone produces sufficient time (16+ days) for two additional round trips on the Lakes, and an almost 5 percent increase in vessel productivity.

Self-unloading also illustrates the continuing partnership between the Jones Act ship operator and the shipper customer. A straight deck vessel requires that a shipper build and maintain costly unloading and receiving facilities at destination. A self-unloader, on the other hand, can discharge directly onto a receiving area that is nothing more than a flat open field, thus permitting virtually any waterfront property to become a working dock on the Great Lakes.

C. American Shipyards and Jones Act Operators Continue to Add New Ships And New Technologies To Meet The Needs Of American Shippers

Since 1965, the U.S. domestic fleet has more than doubled in size and tripled in productivity. Interlake is proud to have been a part of that tradition and in its position as a leader in the Great Lakes fleet today. But the story does not end there. American shipbuilders and operators continue to deploy newly constructed or converted vessels to better serve the needs of American shippers. Let me give three examples from within our own companies or other Great Lakes operators.

During the record 1997 navigation season, 66 of the 69 lakers registered with the Lake Carriers Association were in service. One of the idle vessels, Interlake's 647-foot J.L. MAUTHE, originally built in 1953, was undergoing conversion to a self-unloading barge at Bay Shipbuilding in Sturgeon Bay. The freshwater operating environment of the Great Lakes leads to hull lives much greater than those of the average salt water vessel. This may increase the nominal age of our fleet, a point our detractors often wrongly link to a decreased ability to meet our customers' needs, but it also allows us increased flexibility to re-design existing hulls over their operating lives to better meet those needs at a more economical cost.

Re-named the PATHFINDER, the ex-MAUTHE returned to service in March, 1998, following a $21 million conversion, which included a 260-foot unloading boom and an innovative cargo hold tunnel belt and loop belt system capable of discharging a wide range of cargoes. In her new life, the vessel can transport 23,800 tons of cargo each voyage, and, while capable of carrying many cargoes, will initially be employed in the rapidly growing stone trade on the Lakes.

A second example within the Interlake fleet is the upgrading of the KAYE BARKER, a 767 footer, to enable her to transport grain cargoes on the Lakes. In November, 1997, the ship entered Fraser Shipyard in Superior, WI to undergo unloading boom and cargo hold modifications to enable her to handle those cargoes. Then in December, she transported a cargo of 600,000 bushels of wheat for Continental Grain which was loaded in just 15 hours and later unloaded in the same amount of time thanks to the newly modified unloading system. This cargo should be of special interest to

Senator Brownback because that single load represented almost 1 times the total amount of wheat reported waiting for movement on the ground or in temporary stowage for the entire state of Kansas as of Tuesday, August 25th.[5]

This modification also underscores the importance of having a viable American shipyard base immediately accessible to ships in their routine course of business. The ready availability of the Fraser yard to the KAYE BARKER enabled the vessel to stop there for 2-3 days and receive the modifications needed to provide a new service to a new customer.

The last example I would like to cite from the Lakes is that of American Steamships Company's newly acquired U.S.-flag, Jones Act eligible, ocean classed, integrated tug/dry bulk covered hopper barge. This 550-foot, 33,700 dwt vessel has a 34,330 ton load capacity for coal or 1,452,000 cubic foot capacity for grain cargoes. I emphasize the ocean classing of this vessel because it makes the vessel exceptionally well-suited for coastwise bulk service, including such cargoes as grain for North Carolina or kaolin clay from Georgia. This is exactly the type of vessel proponents of S.2390 claim does not exist in the Jones Act fleet.

III. INVESTMENT KEY TO FUTURE GROWTH AND PRODUCTIVITY

The increased size and productivity of the Jones Act fleet since 1965 is all the result of private investment by American companies in vessels built and maintained in American shipyards. Private investment is the lifeblood of any industry, and particularly one as capital intensive as the maritime industry. With new vessels costing in the tens of millions of dollars and, particularly in the fresh water Great Lakes, having effective operating lives measured in decades, the investment decision a company makes today will determine its future * or lack thereof * for many years to come.

In 1996, the Congress enacted new rules governing the ability to bring foreign investment capital into the U.S. domestic fleet. Under the Vessel Lease Financing provisions of Public Law 104-324, signed into law on October 19, 1996, foreign investment capital is free to enter the U.S. domestic market in any amount to finance construction of new vessels in American shipyards for operation in the Jones Act trades by qualified American operators. There is no demonstrated need for additional change to increase that flow.

S.2390, however, has nothing to do with increasing investment in the U.S. flag fleet and everything to do with placing at risk the billions of dollars that American companies and their American owners and shareholders have invested in American built ships in recent years. My companies alone have invested over $100 million of completely private capital in building new or modernizing our existing ships in the last few years. S.2390, if enacted, would simply destroy the basis for that investment in a single stroke.

Although proponents of S.2390 paint the vision of a revitalized U.S.-flag

[5] JOC/AP September 1, 1998 (reporting 430,200 bushels of wheat on the ground as of that date).

domestic oceangoing and Great Lakes fleet as a result of the introduction of new foreign-built tonnage into those trades, the reality would be much different. Lying ready to enter U.S. domestic commerce under Senator Brownback's bill are fleets of aging foreign-built bulk tonnage, particularly in the dry bulk trades, including many vessels that may already under nominal U.S. ownership. The truth of the matter is that these vessels are excess to and can no longer compete effectively in the oceangoing or Lakes trades for which they were constructed.

World market bulk shipping rates are plummeting and once plentiful cargoes are disappearing from around the globe. See, for example, the Journal of Commerce, July 15, 1998 (Bulk carriers brace for continued rate plunge * With Asia not buying, failures seem likely). Or, Trade Winds, July 3, 1998 (Greek owner pulls bulkers from market * The poor state of the dry bulk market is forcing ships into lay-up.). In part this is due to the economic collapse in Asia, but in part it also results from large-scale overbuilding for those trades driven by shipbuilding subsidies in countries more interested in building ships than whether those ships could be economically employed in the trades for which being built. In short, a market with too many ships and nowhere to employ them.

The owners of those vessels are now seeking to dump them into the U.S. domestic market. There is nothing this Committee could do to stifle investment and innovation in the domestic maritime industry quicker than to approve this type of bill and open the industry to a flood of imported vessels of questionable age, ownership and safety. No American owner or investor should be expected to invest hundreds of millions in new and upgraded vessels from American shipyards, only to be faced with the threat that legislation such as S.2390 could undermine the capital cost basis for those vessels in a single stroke.

Nor should the Committee allow itself to be misled into believing that present owners of American-built tonnage could be compensated for this capital cost differential through offset schemes such as the accelerated depreciation for tax purposes being discussed by S.2390's backers and which they may present to the Committee today. If those schemes can truly do what their backers claim * wholly compensate for the difference in U.S. and foreign ship construction costs * let me offer the Committee a proposition. Instead of transferring the economic benefits of U.S. commerce to foreign shipyards and foreign shipowners, provide the same compensatory benefits to current U.S. shipowners and operators right now. If those benefits do what their backers claim, then the capital cost component of U.S. rates should decrease to the same level as would be achieved by allowing foreign-built tonnage into the U.S. trade. American shipowners would have increased incentive to build more ships in American shipyards and rates for American shippers would decrease, all without placing at risk the broader national interests served by the Jones Act, including helping to maintain the national shipbuilding industrial and repair base essential to national defense and economic security.

The American domestic industry has truly led the maritime world in innovative solutions to meeting the marine transportation needs of our shipper customers. There is no reason to believe we have reached the end of that trail, particularly in light of the new vessel types coming out of American shipyards every year. It is vital, however, that the Committee not act in any manner to undermine the incentive for private investment in American ships such as would occur if S.2390 were to be approved. In fact, my companies are prepared at this moment to add capacity to our fleet if demand develops * but not at the unacceptable level of risk that would result from approval of S.2390.

IV. NO EVIDENCE OF ANY NEED FOR CHANGE

I am not going to burden the Committee today with a detailed discussion of why the anecdotal claims put forth by S.2390's backers over the last several years fail to present any evidence of a need for the kind of sweeping legislative proposals contained in that bill. Put simply, what they show are no more than business problems that demand business, not legislative, solutions. The U.S. domestic industry has addressed the shipping needs of American business in just this way since time immemorial, and as a result, the United States now possesses the finest domestic marine transportation system in the world. I see no reason to expect that the same would not be the case in the future.

For example, one of our companies, Moran Transportation Company, was part of the delegation of American marine interests that visited Murphy Farms in 1996 following their complaint that no American bulk vessels existed that would meet their shipping needs. Our offer to them then, to which they have never responded, was give us a contract of decent duration and we will convert a vessel or build a new vessel designed specifically for your trade. We designed, built and now operate 1,000 foot bulk carriers that are the most efficient means of transportation available in Great Lakes trades, what makes you believe we could not do the same for North Carolina agricultural producers.

I am also particularly struck by the presence today before the Committee of representatives of one segment of the steel industry favoring dumping of foreign-built ships into US domestic markets. Just last Thursday, that same industry ran a full-page ad in the Washington Post with exactly the same message to the President as we present to the Committee here today * We are able and eager to compete with anyone as long as there is a level playing field and everyone plays by the rules. The only difference is that today they are arguing for an unleveling of the economic playing field ensured by the Jones Act and asking to be allowed to play by different rules than everyone else.

The ad continues to point out that the steel industry has invested $50 billion in technology to create the modern steel industry but that that success is threatened by the dumping of foreign steel produced in countries whose economic or industrial policies (i.e., subsidies) give such foreign steel an economic advantage in U.S. markets on a straight price basis. Sound familiar?

V. SAILING UNDER FALSE COLORS

Although described by its backers as a narrow compromise, S.2390 would radically change U.S. maritime policy, allowing foreign-built, foreign-owned vessels to engage in U.S. domestic maritime commerce for the first time since 1817. In the maritime world we call that sailing under false colors.

A. Eliminates U.S. Build Requirement for Specified Cargoes

S.2390 would allow forest products, any dry or liquid bulk cargo, including agricultural products, or livestock, to be transported between two coastwise points in the United States on a U.S. documented, but foreign built and foreign owned motor vessel of greater than 1,000 grt. Described by its proponents as a narrowly-crafted compromise intended to meet the needs of a few shippers, S.2390 actually would allow these foreign ships open access to vast shares of U.S. domestic waterborne commerce:

97 percent of all U.S.-flag Great Lakes cargoes
94 percent of all U.S.-flag coastwise tonnage
93 percent of all U.S.-flag domestic cargoes moved by self-propelled vessels

As discussed earlier, elimination of the U.S. build requirement for those parts of the domestic trades would instantly kill any plans for future revitalization of the U.S. commercial oceangoing shipbuilding industry or for investment in U.S.-built ships. This would not only devalue the hundreds of millions of dollars now being invested by American companies in new U.S. built vessels for those trades, but would further narrow the national shipbuilding industrial base vital to U.S. Navy shipbuilding and repair needs. Indeed, the Navy has already voiced its opposition to similar legislation introduced earlier in the House and to bills like S.2390 for this very reason.

B. Eliminates U.S. Citizen Control and Ownership Requirement

Although widely advertised as a compromise bill intended solely to address the U.S. build requirement of the coastwise laws, S.2390 also would eliminate current U.S. citizen ownership and control requirements for covered vessels in these coastwise trades. Under present law, to engage in coastwise commerce, a vessel must be owned and operated by a company that is itself 75 percent U.S. citizen owned and controlled. S.2390 would drop that requirement in its entirety, allowing such a vessel to operate in domestic commerce even if owned and operated by a company that is itself wholly under the control of foreign owners.

The investment component of the coastwise laws as reflected in the 75 percent U.S. citizen ownership and control requirement of those laws, and similar requirements in the U.S. aviation industry, is to ensure that highly mobile assets that form a vital part of the domestic transportation system in the United States remain under the ownership and control of U.S. citizens. This is a different question than that raised by the U.S. rail and trucking industries where control is ensure by virtue of geographic location. The 75 percent ownership requirement addresses the broad issue of who is to hold economic control over this Country's domestic transportation system * Americans or foreign

shipowners?

C. Eliminates U.S. Government Control Over U.S.-Flag Domestic Fleet

A foreign vessel documented under U.S. law after the date of enactment of S.2390 and used for the purposes described could be transferred to foreign registry at any time by its foreign owner without the same approval of the Secretary of Transportation as required for a U.S. owned, built and documented vessel. According to the U.S. Transportation Command, 70 percent of the self-propelled vessels now comprising the U.S. domestic fleet possess substantial military utility. Under S.2390, the U.S. Government could no longer ensure the availability of such ships, including tankers, for national defense needs as their foreign owners could simply re-flag foreign to avoid the draft.

D. S.2390 Is Not In The National Interest

If enacted, S.2390 would cause immediate and substantial harm to U.S. economic and national security interests, including maintaining: (i) a strong domestic maritime industry; (ii) a strong and economically viable U.S. shipbuilding and repair industry; (iii) U.S. citizen economic control over a vital link in the domestic transportation system; and (iv) U.S. Government control over the U.S. flag merchant fleet to ensure the continued availability of those ships for defense purposes. As outlined above, S.2390 would undermine every one of these vital interests, turning over virtually the entire coastwise trades and a third of all domestic trades to foreign-built, foreign-owned ships, controlled not by U.S. citizens but by their foreign owners, which owners would be free to flag those ships foreign at any time, even if needed by the U.S. military to support U.S. armed forces in combat around the world.

VI. THERE IS A BETTER WAY

I do not, however, want to leave the Committee today with the feeling that the message of the maritime industry which I represent is simply do nothing. The Congress and the industry must be ceaseless in our efforts to improve the efficiency, cost effectiveness, and attractiveness to private investment capital of the American built, U.S. flag Jones Act fleet to meet the needs of American shippers without discarding the broad and vitally important national interests served by the Jones Act.

We must continue our historic partnership with American shippers to further reduce costs through increased efficiencies and innovative solutions to meeting their transportation needs.

Last, we must partner with government to reduce costs for American operators and shipowners, AND for American shippers, by reducing the cost of building and operating under U.S. flag WITHOUT lowering standards for ships or crews. What the Committee should be considering is how to best encourage private investment by American shipowners in new ships built in American shipyards, not how to transfer the economic benefits of those industries to foreign owners as would occur if S.2390 were to be enacted.

VII. CONCLUSION

Let me close with the same thought that I presented earlier. Should the Committee, for whatever reason, start down the course of action being urged on it by proponents of S.2390 there will be no turning back. Once the dismantling of the domestic marine infrastructure and maritime industry in the United States begins, neither the Congress nor the American people will ever be able to put it together again. The ability of the United States to build and operate a commercial merchant marine consistent with its standing as a world economic power and its only military superpower will be gone, and gone forever.